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No. 10-300

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

TIFFANY (NJ) INC. and
TIFFANY AND COMPANY,

Petitioners,

v.

eBAY, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF OF *AMICUS CURIAE* THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF A PETITION FOR A WRIT OF *CERTIORARI* TO THE SECOND CIRCUIT COURT OF APPEALS

LAWRENCE K. NODINE
BALLARD SPAHR, LLP
999 Peachtree Street
Atlanta, GA 30309
(678) 420-9422

DAVID H. BERNSTEIN
Counsel of Record
MICHAEL R. POTENZA
DEBEVOISE & PLIMPTON LLP
919 Third Avenue
New York, New York 10022
(212) 909-6696
dhbernstein@debevoise.com

Counsel for Amicus Curiae
International Trademark Association

232904

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

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INTRODUCTION AND SUMMARY OF ARGUMENT

The International Trademark Association ("INTA") submits this brief as *amicus curiae* in support of the petition for a writ of *certiorari* to the United States Court of Appeals for the Second Circuit to review its decision in *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010) (App. 1a-43a). Both parties have consented to this filing.[1]

This Court should grant certiorari because the case presents a timely opportunity to provide clarity and guidance on an issue of great importance to trademark owners, providers of online markets, and consumers, namely: What knowledge is required to impose contributory trademark liability on the operator of an online marketplace for the sale, by third parties, of counterfeit and infringing merchandise?

The need for guidance in this area is critical. As the Second Circuit acknowledged, the "limited case law" on contributory trademark liability "leaves the law of

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1. Both parties are members of INTA, and the law firms representing the parties are associate members of INTA. Attorneys associated with the parties, their law firms and the parties have not participated in the preparation of this *amicus curiae* brief nor have they made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae*, or its counsel, made a monetary contribution intended to fund its preparation or submission. The parties have been given appropriate notice of amicus curie's intention to file and have consented to the filing of this brief. Such consents are being filed herewith.

contributory trademark infringement ill-defined." *Tiffany*, 600 F.3d at 105 (App. 22a.) The "limited case law" that does exist is in conflict. The Second Circuit held that, "[f]or contributory trademark infringement liability to lie, a service provider must have . . . [s]ome contemporary knowledge of ***which particular listings*** are infringing." 600 F.3d at 107 (App. 27a-28a) (emphasis added). This result cannot be squared with the Ninth Circuit's decision in *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261, 265 (9th Cir. 1996), in which the court found allegations of generalized knowledge of counterfeiting sufficient to state a claim. In *Fonovisa*, the Ninth Circuit upheld the sufficiency of a complaint alleging that the operator of a swap meet – the brick-and-mortar analogue of eBay.com – had generalized knowledge of counterfeiting based on prior seizures followed by law enforcement letters noting continuing, unspecified acts of counterfeiting. That is the same "generalized" knowledge of illegal activity that the Second Circuit squarely found insufficient in *eBay*. 600 F.3d at 107 (App. 27a) ("[A] service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods"). This plain conflict, presented by decisional law of the two Circuit Courts of Appeal that handle more trademark cases than any other, should be resolved by this Court.

Review is needed not only to resolve the conflict between the Second and Ninth Circuits, but also, and more importantly, to clarify the standards for contributory liability applicable to Internet-based services. The Court last addressed contributory trademark liability nearly thirty years ago in *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982). Since

then, an entirely new marketplace has arisen and grown enormously. For example, eBay, which was not even founded until 13 years after *Ives* was decided, reported sales of $57.2 billion in goods and services through its marketplace during 2009 alone.[2]

The growth of the Internet and the popularity of web sites like eBay.com have dramatically increased the prevalence of counterfeiting in ways that the Supreme Court could not have envisioned in 1982. As INTA's members know from regrettable experience, the online world provides counterfeiters with a forum that facilitates the ability, with relative anonymity, to trade in infringing and counterfeit goods, with the predictable result that online marketplaces are rife with such activity. The sheer volume of infringing and counterfeit activity on sites such as eBay's makes it especially important for brand owners and providers of online markets to work together to protect consumers by ensuring the integrity of commercial transactions online. The lack of clear rules and conflicting decisions frustrate this goal and perpetuate the harms to consumers, brand owners and providers of online markets caused by the pervasive and illegal acts of infringement and counterfeiting.

This Court should hear this case on the merits to clarify the scope of contributory trademark liability in the Internet era, as it already has in the copyright

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2. eBay Annual Report, 2009 (Form 10-K), at 54 (Feb. 17, 2010), *available at* http://www.shareholder.com/visitors/dynamicdoc/document.cfm?documentid=2778&companyid=ebay&page=1&pin=&language=EN&resizethree=yes&scale=100&zid=f80680b9.

context, *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), and as it will shortly in the patent context. *Global-Tech Appliances, Inc. v. SEB S.A.*, ___ U.S. ___, 2010 WL 2629783 (Oct. 12, 2010) (granting *certiorari* on whether inducing patent infringement claim requires "deliberate indifference of a known risk" or "purposeful, culpable expression and conduct") (quotations from Petition for Writ of Certiorari, 2010 WL 2813550 (Jun. 23, 2010)). INTA urges the Court to grant *certiorari* to resolve the split in the Circuits, restore the national uniformity to federal trademark law that Congress intended to create in enacting the Lanham Act in 1946, and clarify the standards governing contributory liability for online services so that brand owners and providers of online markets have clear, consistent rules to govern their commercial activities.

STATEMENT OF INTEREST OF THE AMICUS CURIAE

INTA is a not-for-profit organization whose more than 5,600 members have a special interest in trademarks. INTA's membership includes trademark owners, law firms, advertising agencies, and professional associations from the United States and more than 190 other countries. All share the goals of emphasizing the importance of trademarks and trademark protection, and of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective and efficient commerce, and fair competition. INTA members frequently are participants in trademark litigation, and therefore are interested in the development of clear and consistent principles of

trademark and unfair competition law. INTA has substantial expertise in trademark law and has selectively participated as *amicus curiae* in cases involving significant trademark issues, including in this Court.[3]

INTA was founded in 1878 as the United States Trademark Association in part to encourage the enactment of federal trademark legislation after this

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3. Cases in which INTA has filed *amicus* briefs include: *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, 546 U.S. 957 (2005) (mem.); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Major League Baseball Players Assoc. v. Cardtoons, L.C.*, 531 U.S. 873 (2000) (mem.); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000); *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank.*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Chloé v. Queen Bee of Beverly Hill, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559 (5th Cir. 2005); *Playboy Enters., Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004); *WarnerVision Entertainment Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982); *ITC Ltd. v. Punchgini, Inc.*, 880 N.E.2d 852 (N.Y. 2007).

country's first trademark act was declared unconstitutional. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with all major pieces of federal trademark legislation, including the Lanham Act in 1946, the U.S. Trademark Counterfeiting Act of 1984, the Anti-Counterfeiting Consumer Protection Act of 1996, the 2006 Stop Counterfeiting in Manufactured Goods Act and the Anticybersquatting Consumer Protection Act of 1999. INTA also has promulgated a Model State Anti-Counterfeiting Act. INTA has been active in the international arena, including by promoting treaties and model laws, such as the Madrid Protocol, the Trademark Law Treaty, the World Intellectual Property Organization's Model Provisions for National Laws on Enforcing IP Rights, the World Customs Organization's model law implementing counterfeiting-related provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights, and the Anti-Counterfeiting Trade Agreement, which is currently under discussion.

INTA has a particular interest in this case because a grant of *certiorari* will enable the Court to address the important issues raised in the case, provide uniformity in the application of federal common law trademark principles, and give trademark owners and providers of online markets the clear guidance necessary for them to enforce their trademark rights and operate their marketplaces in accordance with the law.

ARGUMENT

I. The Court Should Grant Certiorari to Resolve the Conflict Between The Second Circuit and Ninth Circuit on the Requisite Level of Knowledge for Contributory Trademark Liability.

The district court found, and the Second Circuit acknowledged, that "eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit." 600 F.3d at 106 (App. 26a) (citing *Tiffany (NJ), Inc. v. eBay, Inc.*, 576 F. Supp.2d 463, 507 (S.D.N.Y. 2008) (App.128a) (emphasis in original)). The primary question on appeal was whether such knowledge satisfied the test for contributory trademark infringement liability in *Inwood Laboratories Inc. v. Ives Laboratories Inc.*, 456 U.S. 844 (1982). After characterizing the issue as "difficult," 600 F.3d at 103 (App. 19a), the Second Circuit held that "generalized" knowledge of infringement is insufficient; rather, to trigger liability, "[s]ome contemporary ***knowledge of which particular listings are infringing*** or will infringe in the future is necessary." 600 F.3d at 107 (App. 27a-28a) (emphasis added). This holding conflicts with the Ninth Circuit's decision in *Fonovisa*, 76 F.3d 259, which held that nearly identical generalized knowledge of infringing activities in a forum controlled by the operator of a marketplace satisfied *Ives*.

1. In *Ives*, the plaintiff manufactured and marketed the patented prescription drug cyclandelate under the trademark CYCLOSPASMOL. 456 U.S. at 846. After the patent expired, the defendant began marketing a generic version of the drug to pharmacists, intentionally

copying the appearance of the trademarked pills. 456 U.S. at 847. The plaintiff sued the generic drug manufacturer, claiming that the defendant's actions induced pharmacists illegally to substitute and mislabel a generic drug for CYCLOSPASMOL, thereby contributing to the infringing activities of the pharmacists. 456 U.S. at 850.

The Court articulated a two-prong test for determining whether a party is liable for the trademark infringing conduct of third parties. Such liability will attach "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." 456 U.S. at 854. The district court, applying the same standard, entered judgment for the defendants, concluding that incidents of mislabeling by the pharmacists "occurred too infrequently to justify the inference that the . . . use of imitative colors had 'impliedly invited' druggists to mislabel." 456 U.S. at 853. The Second Circuit reversed, holding that the district court had failed to give sufficient weight to the "pattern of illegal substitution and mislabeling." *Id.* at 855 (quoting *Ives Labs., Inc. v. Darby Drug Co.*, 638 F.2d 538, 543 (2d Cir. 1981)).

This Court reversed. It held that, although both the district court and the Second Circuit applied the correct standard, 456 U.S. at 853, the Second Circuit erred by reversing the district court "simply because it would have given more weight to the evidence of mislabeling . . . ." 456 U.S. at 856. Critically, though, the Court confirmed that continuing to supply products "to one

whom it knows or has reason to know is engaging in trademark infringement" would itself constitute contributory trademark infringement. 456 U.S. at 854.

2. In *Tiffany*, both the district court and the Second Circuit applied *Ives* to determine whether eBay could be contributorily liable for infringing activity based on its "generalized" knowledge of infringing activity by its vendors. 576 F. Supp.2d at 501-502 (App. 116a); 600 F.3d at 105-106 (App. 24a-25a).[4] Tiffany argued that "the only

4. As the Second Circuit noted, *Ives* addressed contributory liability in the context of a manufacturer providing products to a distributor. 600 F.3d at 105 & n.10 (App. 23a-24a & n.9 [sic]). Although some courts, including the *Tiffany* court, have applied the *Ives* test where a party contributes ***services*** to an infringer (including in the Internet context) and has the ability to deny the infringer access to its services, *see, e.g.*, *Fonovisa*, 76 F.3d at 265 (*Ives* "laid down no limiting principle that would require defendant to be a manufacturer or distributor"); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999) (extending *Ives* to service providers who exercise "[d]irect control and monitoring of the instrumentality used by a third party to infringe"), the extent to which *Ives* applies outside of the manufacturer-distributor context is unsettled. 600 F.3d at 105-106 & n.10 (App. 23a-24a & n.9 [sic]) (assuming that *Ives* applies but noting position that *Ives* "should not govern where . . . the alleged contributory infringer has no direct means to establish whether there is any act of direct infringement"). Whether the test developed nearly thirty years ago in the brick-and-mortar, manufacturer-distributor context should be applied in other contexts that the Court could not have anticipated then, is itself ripe for reexamination given how commerce is conducted in the Internet area and the technological tools now available (and under development) to monitor, identify, track and block the sale of counterfeits.

relevant question [was] 'whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement.'" 600 F.3d at 107 (App. 27a). The Second Circuit rejected this argument:

> Tiffany understands the "lesson of *Inwood*" to be that an action for contributory trademark infringement lies where "the evidence [of infringing activity]—direct or circumstantial, taken as a whole — ... provide[s] a basis for finding that the defendant knew or should have known that its product or service was being used to further illegal counterfeiting activity." ... We think that Tiffany reads *Inwood* too broadly.
>
> We . . . do not think that *Inwood* establishes the contours of the "knows or has reason to know" prong. Insofar as it speaks to the issue, though, the particular phrasing that the Court used — that a defendant will be liable if it "continues to supply its product to ***one*** whom it knows or has reason to know is engaging in trademark infringement," ... supports the district court's interpretation of *Inwood*, not Tiffany's.

600 F.3d 107-108 (App. 27a-28a) (quoting *Ives*, 456 U.S. at 854) (emphasis supplied by Second Circuit).[5]

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5. The Second Circuit's emphasis on the Court's specific language – that a defendant will be liable if it "continues to supply its product to ***one*** whom it knows or has reason to know is engaging in trademark infringement," 600 F.3d at 107 (App.

(Cont'd)

The Second Circuit thus rejected the notion that eBay could be liable if this generalized knowledge of counterfeiting gave rise to a "reasonable anticipation" that particular listings might be counterfeit. Instead, the court held,

> a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which ***particular listings*** are infringing or will in the future is necessary.

600 F.3d at 107 (App. 27a-28a) (emphasis added).[6]

3. The Second Circuit's holding that "general" knowledge of infringing activity is insufficient to trigger contributory trademark liability is in direct conflict with

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(Cont'd)

28a) (quoting *Ives*, 456 U.S. at 854) (emphasis supplied by Second Circuit) – provides another reason why the time may be ripe to reconsider whether that phraseology remains the best way to articulate the standard for contributory trademark infringement, and whether the use of the word "one" twenty-eight years ago was meant to narrow the scope of contributory liability, as the Second Circuit seems to suggest.

6. The Second Circuit also affirmed the district court's ruling that eBay's conduct did not cause dilution and remanded for further proceedings to determine whether eBay's advertising was misleading. The district court subsequently held that eBay's advertising was not misleading. *Tiffany (NJ), Inc. & Tiffany & Co. v. eBay, Inc.*, Mem. & Order (Docket No. 90), No. 04-Civ.-4607 (RJS) (S.D.N.Y. Sept. 10, 2010). These holdings are not at issue in this petition for *certiorari* and INTA offers no view regarding these aspects of the decision.

the Ninth Circuit's decision in *Fonovisa*. In *Fonovisa*, the Ninth Circuit applied the *Ives* standard to the brick-and-mortar analogue of eBay – a swap meet where a substantial number of vendors allegedly sold counterfeit and infringing merchandise. 76 F.3d at 261. The plaintiff alleged that the flea market operator either knew or was chargeable with constructive knowledge of infringing sales by virtue of three allegations, none of which constitutes the type of "specific" knowledge required by the Second Circuit: (1) the Fresno County Sherriff earlier had seized 38,000 counterfeit recordings from the same swap meet; (2) the Sherriff sent a letter a year later notifying the swap meet operators of unspecified, ongoing sales of infringing merchandise; and (3) in the same letter, the Sherriff reminded the swap meet operators that they had agreed to provide the Sherriff with information identifying each vendor. 76 F.3d at 261.

4. Based on these allegations, the Ninth Circuit concluded that there was "no dispute" that the swap meet operators "were aware that vendors . . . were selling counterfeit recordings." 76 F.3d at 261. The Ninth Circuit accordingly held that the swap meet operators could be held contributorily liable because the operator's "willful blindness" to the pervasive acts of infringement by third parties satisfied the "reason to know" standard of *Ives*. 76 F.3d at 265. There were no allegations that the operator knew which specific vendors were selling counterfeits, nor were the trademark owners required to identify which particular items being sold at the swap meet were counterfeit; instead, the Ninth Circuit held that the allegation that the operators continued to provide services with the knowledge that unspecified

ongoing acts of infringement were occurring satisfied the test for contributory liability under *Ives*. 76 F.3d at 265.

5. *Fonovisa* thus involves the very same type of "general" knowledge eBay was found to have – knowledge of pervasive infringement and counterfeiting conducted on its marketplace – and thus is squarely in conflict with the Second Circuit's decision. The Second Circuit attempt, in a single footnote, to distinguish *Fonovisa* does not resolve the conflict between the decisions. First, the Second Circuit posited that eBay exerted greater efforts in addressing counterfeiting than exhibited by the defendants in *Fonovisa*. 600 F.3d at 110 n.17 (App. 34a n.16 [sic]). The holding in *Fonovisa*, however, did not turn on the defendant's efforts to stop counterfeiting. Rather, liability was triggered because the swap meet operators continued to supply services to vendors when it either knew or had reason to know of counterfeiting activity.

Second, the Second Circuit distinguished the procedural posture of the *Fonovisa* decision (an appeal from a motion dismissing the complaint) from the procedural posture of the *eBay* decision (review of a decision on the merits after trial). 600 F.3d at 110 n. 17 (App. 34a n.16 [sic]). This is a distinction without a difference; motions directed to the pleadings assess the legal sufficiency of the allegations in the complaint. The Ninth Circuit's decision means that, if the allegations had been proven, they would establish contributory trademark infringement under that court's application of *Ives*. The Second Circuit's rejection of liability after trial applying the same *Ives* standard to the same degree

of "generalized" knowledge places its decision in direct conflict with *Fonovisa*.

6. Other Circuit Courts of Appeal also have considered "generalized" knowledge of infringing activities to be probative under the *Ives* test. In *Ciba-Geigy Corp. v. Bolar Pharmaceutical Co., Inc.*, 747 F.2d 844 (3d Cir. 1985), the Third Circuit addressed claims by a prescription drug manufacturer identical to the claims in *Ives*. Upon the expiration of the patent of the prescription drug, APRESAZIDE, the defendant commenced marketing a generic version in the same size, shape and color as the prescription product to wholesalers, who sold the generic product to pharmacists. 747 F.2d at 848-49.

The plaintiff sued the generic drug manufacturer claiming that the defendant manufactured and distributed the generic product with the reasonable anticipation that pharmacists would illegally substitute a generic drug for APRESAZIDE, thereby contributing to the infringing activities of the pharmacists. 747 F.2d at 849. Among the evidence the Third Circuit found probative of the defendant's constructive knowledge of infringement by pharmacists were the convictions "of at least 93 pharmacists and pharmacies for passing off in New York in the three years preceding the filing" of the lawsuit. 747 F.2d at 853 n.4; *see also Mini Maid Servs. Co. v. Maid Brigade Sys., Inc.*, 967 F.2d 1516, 1522 (11th Cir. 1992) ("If the infringement is serious and widespread, it is more likely the franchisor knows about and condones the infringement of its franchisees"; applying *Ives*); *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir.

1992) (evidence that swap meet operator "did not ask vendors whether their goods were counterfeit because they were sure to lie to him" probative of knowledge of third-party infringement under *Ives*).

7. In short, as the Second Circuit acknowledged, the standards governing contributory liability in the online context are "ill-defined." *Tiffany*, 600 F.3d at 105 (App. 22a). INTA urges the Court to hear this case on the merits to resolve the uncertainty and provide clear, unambiguous guidance to brand owners and providers of online markets to govern their conduct in this increasingly vital area of commerce.

II. The Court Should Grant Certiorari to Restore Uniformity to Federal Trademark Law.

The current split in authority runs counter to Congress' purpose of providing uniform, nationwide rights to trademark owners when it passed the Lanham Act in 1946. This concern is no less important where, as here, the issue is one of federal common law. Justice White expressly recognized, in his concurrence in *Ives*, the importance of articulating uniform principles of trademark law regardless of whether the issue concerns statutory or common law principles. *Ives*, 456 U.S. at 861 n.2 (White, J., concurring) (noting purpose of the Lanham Act to "codify and unify" the common law of trademark protection). Because the Lanham Act, unlike the Patent Act[7], does not define the contours of

7. *See* 35 U.S.C. § 271 (2010) (defining liability for those who directly infringe, "actively induce[]" infringement, and who sell components "knowing" them to be adapted for use to infringe).

contributory trademark liability, it is especially important for the Court to provide a uniform, national standard.

Congress designed the Lanham Act to provide a robust, consistent national scheme of protection for trademarks to "secure[e] to the [trademark] owner the good will of his business and protect[] the public against spurious and falsely marked goods." S. Rep. No. 79-1333 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274-75. As it became clear in the post-war era that "trade [in the United States] is no longer local, but is national," protection of trademarks could no longer be provided by the inconsistent amalgam of state law protections. *Id.* at 1277. As a result, "a sound public policy require[d] that trade-marks should receive nationally the greatest protection that can be given them." *Id.* The Senate Committee on Patents described this purpose as follows:

> The purpose of this bill is ***to place all matters relating to trade-marks in one statute and to eliminate judicial obscurity***, to simplify registration and to make it stronger and more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedure simple, and relief against infringement prompt and effective.

Id. at 1274 (emphasis added).

Despite the current split in the Circuit Courts of Appeal on the type of knowledge required for imposing contributory liability, courts have recognized that Congress' purpose in federalizing trademark law in the

Lanham Act was to create uniform, nationwide rights for a national economy. Not long after the Lanham Act's passage, Judge Learned Hand recognized that it "put federal trade-mark law upon a new footing . . . and created rights uniform throughout the Union, in the interpretation of which we are not limited by local law." *S.C. Johnson & Son, Inc. v. Johnson*, 175 F.2d 176, 178 (2d Cir. 1949).

More recently, this Court acknowledged Congress' goals by noting that "[n]ational protection of trademarks is desirable . . . because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985); *see also Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 781-82 (1992) (Stevens, J., concurring) ("The purpose of [the Lanham Act] is to protect legitimate business and the consumers of the country, [and] [o]ne way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy.") (citation omitted).

When conflicting interpretations of the Lanham Act have arisen in the past, this Court has granted *certiorari* to restore uniformity to the law. Most recently, in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004), the Court noted that it granted certiorari "to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense to a trademark infringement claim, and the obligation of a party defending on that ground to show that its use is unlikely to cause consumer confusion." *Id.* at 116; *see also Moseley v. V Secret*

Catalogue, Inc., 537 U.S. 418, 428 (2003) (granting *certiorari* "[b]ecause other Circuits have also expressed differing views about the 'actual harm' issue" under the Federal Trademark Dilution Act); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 161 (1995) (noting that the Court granted *certiorari* because "[t]he Courts of Appeals have differed as to whether or not the law recognizes the use of color alone as a trademark").

III. The Supreme Court Should Grant Certiorari to Provide Clarity and Guidance on an Extremely Important Issue of Federal Law.

This case raises an issue of extreme importance in the burgeoning area of Internet commerce: "[W]ho should bear the burden of policing" against the scourge of counterfeit goods in the online world, providers of online markets or brand owners? *Tiffany*, 576 F. Supp.2d at 469 (App. 44a). That issue is of paramount importance given the proliferation of counterfeit activity in the online world and the attendant harms to businesses and consumers it undoubtedly causes.

In the decades since *Ives*, counterfeiting has ballooned into a social and economic menace, creating severe public health and safety hazards, as well as substantial economic harm to legitimate business, on a national and global scale. According to FBI estimates, counterfeiting costs the U.S. economy more than $200 billion in lost sales annually[8]; worldwide, counterfeiting

8. Press Release, U.S. Customs and Border Protection, U.S. Customs, FBI National Intellectual Property Rights Center Holds Industry Outreach Conference (July 17, 2002), *available at* http://www.cbp.gov/xp/cgov/newsroom/news_releases/archives /legacy/2002/72002/07172002_2.xml.

accounts for an estimated $750 billion dollars in global trade each year.[9] The FBI, Interpol, World Customs Organization and International Chamber of Commerce estimate that an astonishing 7-8 percent of world trade every year is in counterfeit goods.[10] Sales of counterfeit goods reportedly support terrorist groups throughout the world.[11] As a result, counterfeit goods not only tarnish the carefully-built reputations of legitimate businesses and undermine the credibility both of brand owners and the online markets where such goods are sold, they cause enormous harm to consumers and threaten national and global security.

Even before the era of online commerce, it had long been recognized that counterfeiting had reached "epidemic" proportions. S. Rep. No. 98-526, at 5 (2d Sess. 1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3630. The rise of the Internet as a commercial forum has only

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9. David S. Wall & Joanna Large, *Jailhouse Frocks*, BRIT. J. CRIMINOL. at 3 (2010) ("Wall & Large"); Press Release, U.S. Customs and Border Protection, U.S. Customs Announces International Counterfeit Case Involving Caterpillar Heavy Equipment (May 29, 2002), *available at* http://www.cbp.gov/xp/cgov/newsroom/news_releases/ archives/legacy/2002/52002/05292002.xml (estimating 750,000 lost jobs due to counterfeiting).

10. U.S. Dep't of Commerce, *Why Protect Intellectual Property?*, *available at* http://www.stopfakes.gov/sf_why.asp.

11. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY – EXECUTIVE SUMMARY (2007) at 15, *available at* http://www.oecd.org/searchResult/0,3400,en_2649_201185_1_1_1_1_1,00.html; Press Release, Carratu Int'l., Rise in Counterfeit Market Linked to Terrorist Funding, (June 26, 2002), *available at* http://www.pressbox.co.uk/ Detailed/6073.html.

exacerbated this problem. The Organization for Economic Co-operation & Development ("OECD") notes that the Internet has provided counterfeiters with a new and powerful means to sell their products and that a significant share of counterfeit trade is attributable to the Internet.[12] Indeed, one survey estimated that, during 2006, up to 3 million consumers may have bought a counterfeit item that carried one of the "top ten" luxury brand names, with almost a third (29 percent) of such purchases from online marketplaces such as eBay.[13] In 2007 alone, eBay reportedly contained more than 2 million potentially counterfeit listings, and hosted 50,000 sellers attempting to sell fake goods.[14] Consumers thus suffer the greatest harm of all from the sale of counterfeit goods. Especially when transactions are completed online, without an opportunity to inspect the goods, consumers are particularly susceptible to unscrupulous counterfeiters who tout their knock-offs as legitimate goods. This risk is heightened in light of the growing sophistication of counterfeiters and their ability to produce knock-offs that, on their surface (and in online listings), appear to be genuine articles.[15]

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12. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY – EXECUTIVE SUMMARY (2007) at 14-15 , *available at* http://www.oecd.org/searchResult/ 0,3400,en_2649_201185 _1_1_1_1_1,00.html.

13. Wall & Large, *supra* n. 9, at 7.

14. Suze Bragg, *Courts Weigh Online Practices*, CASUAL LIVING (Aug. 1, 2008) at 79.

15. *See, e.g.*, Robert Klara, *The Fight Against Fakes*, BRANDWEEK (June 27, 2009) ("[N]ot only is there a lot more phony stuff out there, but it's better made, easier to get, fetching higher prices and taking a bigger chunk out of brands' earnings . . . .").

This is an issue of great importance not only under federal law, but internationally. Courts from foreign jurisdictions have considered similar issues, reaching inconsistent results, although all courts appreciate the importance of the issue.

The Paris Court of Appeals recently affirmed a lower court ruling that eBay was liable for the sale of counterfeit goods by third party vendors.[16] Other French courts have reached similar results.[17] Courts in other foreign jurisdictions, however, have refused or severely limited efforts to extend liability to online intermediaries. In *L'Oréal S.A. v. eBay Int'l A.G.*[18], for example, the

16. *SA Louis Vuitton Malletier v. eBay Inc., & eBay Int'l AG*, Cour d'appel [CA] [regional court of appeal], Paris, Pole 5 – Div. 2, Docket No. 08/12820 (Sept. 3, 2010) (eBay not merely a host, but instead actively assisted infringers by promoting sales and collecting commission; no showing of particularized knowledge necessary), *available at* http://www.juritel.com/Ldj_html-1533.html.

17. *See SA Christian Dior Couture v. eBay, Inc. & eBay Int'l AG*, Cour d'appel [CA] [regional court of appeal], Paris, Pole 5 – Div. 2, Docket No. 08/12821 (Sept. 3, 2010) (same), *available at* http://legalis.net/spip.php?page=jurisprudence-imprimer&id_article=2970; *eBay France v. Hermès Int'l*, Cour d'appel [CA] [regional court of appeal] Reims, 1ère, (July 20, 2010) (Fr.) (eBay liable because it suggests purchases based on visitors' previous purchases and enables sellers to employ cross-merchandising), *available at* http://legalis.net/spip.php?page=jurisprudence-decision&id_article=2960; *Hermès Int'l v. eBay*, No. Tribunal de grande instance [T.G.I.] [ordinary court of original jurisdiction] Troyes, Civil Chamber, Docket No. 06/02604 (June 4, 2008) (Fr.), *translated at* http://www.law.pace.edu/files/pilr/AllCasesTranslated.pdf.

18. [2009] EWHC 1094 (Ch.) Case No. HC07C01978 (Eng.), *available at* http://www.bailii.org/ew/cases/EWHC/Ch/2009/

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English High Court of Justice declined to find eBay liable, although it referred the question of whether an injunction should issue to the European Court of Justice. Courts in Germany appear to have adopted a middle ground, dismissing claims for damages against Internet-based auction hosts, but admitting of the possibility of an injunction to prevent future infringements, with the issue of the degree of knowledge required to trigger the injunction a matter of controversy.[19]

As this issue works its way through European courts, the lack of a clear statement of United States law prevents the United States from leading the debate worldwide. Just as the United States has on occasion considered the laws of other countries[20], other nations

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1094.html. *See also Lancóme v. eBay*, Tribunal de commerce [Comm.][Commerce Tribunal] Brussels, Docket No. A/07/06032 (July 31, 2008) (Belg.) (eBay acted only as host for advertisements and was therefore exempt from liability; eBay not obligated to search for counterfeiting), *available at* http://www.bordermeasures.com/IMG/pdf/Brussels_Commercial_Court_L_Oreal_Lancome_v_eBay_31-07-08.pdf.

19. *See Internet Auction I*, Bundesgerichtshof [BGH] [Federal Court of Justice] Mar. 11, 2004, Case No. I ZR 304/01 (Ger.), *reported in English at* [2006] ECC 9, [2005] ETMR 25 and [2005] IIC 573; *Internet Auction II*, Bundesgerichtshof [BGH] [Federal Court of Justice] Apr. 19. 2007, Case No. I ZR 35/04 (Ger.), *reported in English at* [2007] ETMR 70 (Ger.); and *Internet Auction III*, Bundesgerichtshof [BGH] Apr. 30, 2008, Case No. I ZR 73/05 (Ger.), *available at* http://www.jurpc.de/rechtspr/20080146.htm (not yet reported in English).

20. *See, e.g., Roper v. Simmons*, 543 U.S. 551, 575, 578 (2005) (noting that the "weight of international authority" was against the juvenile death penalty) (Kennedy, J.); *Lawrence v. Texas*, 539

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should be able to look to the United States Supreme Court's position on important issues affecting global commerce in formulating their legal principals.[21]

This would be an opportune time for the Court to articulate an updated clear statement of the standard for contributory trademark liability, which not only would harmonize the law throughout the United States, but also could influence other nations' courts, thus helping to harmonize this law on a global basis. Harmonization would be particularly useful in this area because Internet commerce is borderless.

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U.S. 558, 573, 576-77 (2003) (citing constitutional trends in the United Kingdom, the Council of Europe, Australia, Canada, Colombia, Israel, New Zealand, and South Africa as evidence that petitioner's assertion of right had "been accepted as an integral part of human freedom in many other countries") (Kennedy, J.); *Atkins v. Virginia*, 536 U.S. 304, 316 n.21 (2002) ("within the world community, the imposition of the death penalty for crimes committed by mentally retarded offenders is overwhelmingly disapproved") (Stevens, J.); *Knight v. Florida*, 528 U.S. 990, 995-96 (1999) (even though "[o]bviously this foreign authority does not bind us . . ." the Court "has long considered as relevant and informative the way in which foreign courts have applied standards roughly comparable to our own constitutional standards in roughly comparable circumstances.") (Breyer, J., dissenting). *See also* Rosalind Dixon, *A Democratic Theory of Constitutional Comparison*, 56 AM. J. COMP. L. 947, 950-54 (2008).

21. *See, e.g.*, Sarah K. Harding, *Comparative Reasoning and Judicial Review*, 28 YALE J. INT'L L. 409, 411 (2003) (noting that foreign jurisdictions often look to United States Supreme Court jurisprudence for "guidance and inspiration").

CONCLUSION

In sum, because the scope of the counterfeiting problem in online commerce is so enormous and because it implicates cross-border legal issues, brand owners and providers of online markets alike have an interest in working cooperatively to address the issue. Without clear guidance as to who (brand owners or the online market providers) bears the burden of ensuring the legitimacy of transactions in the online world, allocating that responsibility is inefficient at best and impossible at worst. The issue is worthy of this Court's attention.

Respectfully submitted,

DAVID H. BERNSTEIN
Counsel of Record
MICHAEL R. POTENZA
DEBEVOISE & PLIMPTON LLP
919 Third Avenue
New York, New York 10022
(212) 909-6696
dhbernstein@debevoise.com

LAWRENCE K. NODINE
BALLARD SPAHR, LLP
999 Peachtree Street
Atlanta, GA 30309
(678) 420-9422

Counsel for Amicus Curiae
International Trademark Association